

## Public consultation on EIB's Energy Lending Policy - comments by ClientEarth



Brussels, 31 December 2012

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ClientEarth welcomes the present consultation by the European Investment Bank on its Energy Lending Policy.

Taking into account constant developments in the EU energy efficiency and savings law and policy, it would be useful for the EIB to adapt its lending policy in this area more regularly, following adoption of relevant pieces of legislation or policy documents.

We welcome the importance the EIB seems to be paying to projects on energy efficiency and savings and appreciate statements expressed by the EIB staff during the public consultation meeting of 7 December that funding in this area will be further reinforced by the EIB. We hope that, taking into account the difficulties, mentioned by the EIB, of having projects in this area submitted to the EIB, the EIB will find effective ways to have its investments on energy efficiency indeed increased. We also hope that EIB will be able to increase its support for technical assistance in this area and we urge it to test and develop innovative financing instruments for energy efficiency investments.

### 4.1

**Particularly in the current economic climate, is there a trade-off between promoting a competitive and secure energy supply and one which is environmentally sustainable? Where should the balance lie and what implications does this have for energy sector investments?**

**How does investment in the energy sector contribute to growth and employment? Are investments in all energy sub-sectors equally valuable? And how does investment in the energy sector rank relative to other investments in the economy which support growth and employment?**

Energy efficiency and savings measures provide economic solutions (creation of local jobs and development of local economy due to the fact that energy efficiency installations are implemented where energy is consumed, on localised basis) as well as address environmental concerns. Therefore, investments in this area, while providing environmentally sustainable solutions, are also crucial for the economy and important in the current economic climate.

According to the World Energy Outlook 2012 by the International Energy Agency, tackling the barriers to energy efficiency investment can realise huge gains for energy security, economic growth and the environment.<sup>1</sup>

According to the EU Energy Efficiency Plan 2011, 'the combined effects of full implementation of the existing and new measures [in the area of energy efficiency] will (...) have the potential to generate financial savings of up to € 1 000 per household every year; improve Europe's industrial competitiveness; create up to 2 million jobs; and reduce annual greenhouse gas emissions by 740 million tons'.<sup>2</sup>

The study 'Employment Impacts of a Large-Scale Deep Building Energy Retrofit Programme in Poland' prepared for the European Climate Foundation by the Center for Climate Change and Sustainable Energy Policy (3CSEP) Central European University, Budapest, Hungary<sup>3</sup> shows, for Poland, that building renovations are employment intensive interventions, with a potential to create many additional jobs if implemented at large scale.

Therefore, ClientEarth urges for the effective use of the EIB funds for projects on energy efficiency and savings.

### 4.3

#### **What do you think are the main barriers to energy efficiency investments? What might be done to overcome these?**

There is a big number of market barriers to energy efficiency investments. A publication of IEA 'Mind the Gap' mentions inadequate access to capital, isolation from price signals, information asymmetry, and split-incentives as obstacles to 'three energy-related challenges in IEA member countries: energy security, climate change, and economic development', which can all be addressed by energy efficiency.<sup>4</sup>

The role of the EIB is crucial in addressing one of these barriers, i.e. access to affordable capital to overcome high upfront costs. This is important for big but also smaller energy efficiency projects, which often find access to the EIB funding difficult.

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<sup>1</sup> <http://www.iea.org/publications/freepublications/publication/English.pdf> ;

<http://www.worldenergyoutlook.org/publications/weo-2012/>

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Energy Efficiency Plan - Brussels, 8.3.2011, COM(2011) 109 final (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0109:FIN:EN:PDF>)

<sup>3</sup> [https://3csep.ceu.hu/sites/default/files/publications/final-reportempl-impacts-of-large-scale-deep-bldg-retrofit-prg-in-poland\\_0.pdf](https://3csep.ceu.hu/sites/default/files/publications/final-reportempl-impacts-of-large-scale-deep-bldg-retrofit-prg-in-poland_0.pdf)

<sup>4</sup> 'Mind the Gap' by International Energy Agency, 2007 ([http://www.iea.org/publications/freepublications/publication/mind\\_the\\_gap-1.pdf](http://www.iea.org/publications/freepublications/publication/mind_the_gap-1.pdf))

### 4.3

**Do you consider the criteria used by the Bank to categorise projects as Energy Efficiency projects appropriate (see Annex 1)? What alternative would you propose?**

ClientEarth considers that the minimum criteria used currently by the EIB (reduction of energy consumption by at least 20% compared to the situation before the project's implementation or energy savings for at least 50% of the investment cost over the project life) should be upgraded as soon as the number of energy efficiency projects for financing increases.

We also consider that financing of unabated coal and lignite plants should be excluded from the financing (representing a risk of high carbon lock-in).